



國富浩華（香港）會計師事務所有限公司
Crowe (HK) CPA Limited

Hong Kong 2022/23 Budget

Key Measures



Audit / Tax / Advisory

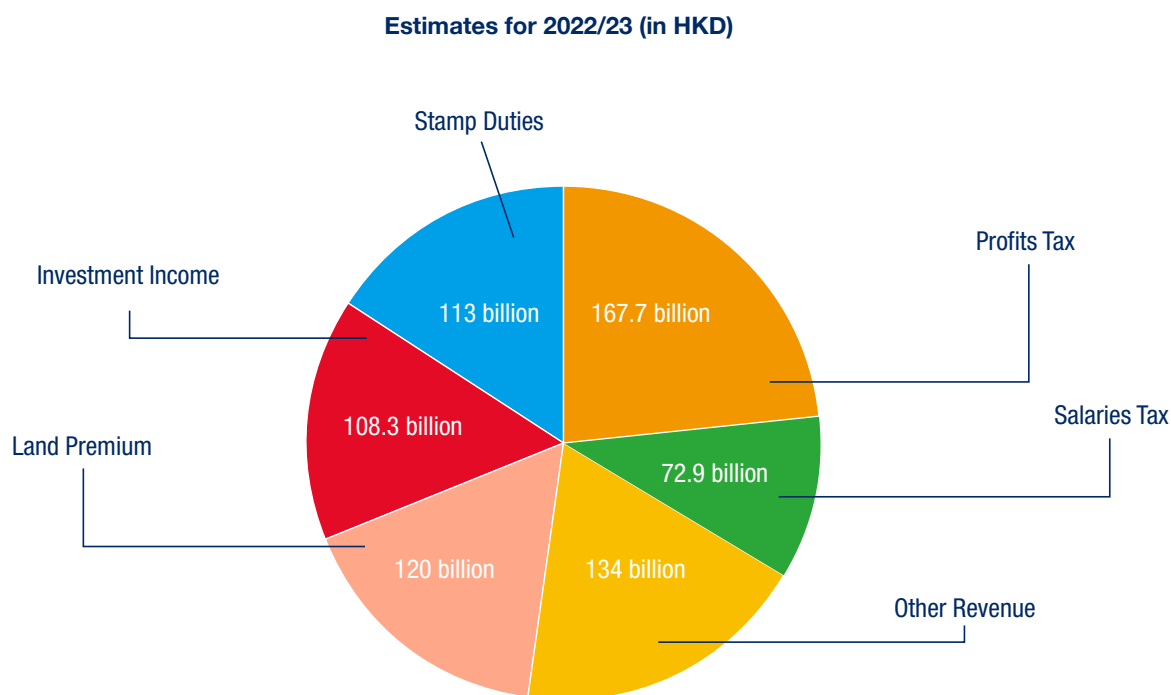
A. Government Revenue Budget

Even though the Government recorded consolidated deficits from 2019/20 to 2020/21, the positive impact of various government initiatives has turned the consolidated deficit projected in the original estimation into a consolidated surplus. The estimated surplus for 2021/22 is HK\$18.9 billion.

For 2022/23, it is estimated that fiscal deficit will still be recorded due to the expenses for one-off relief measures and anti-epidemic measures. The estimated deficit is HK\$56.3 billion, which is equivalent to 1.9% of GDP.

With the implementation of the international tax reform proposals drawn up by the Organisation for Economic Co-operation and Development (OECD), the introduction of a global minimum tax rate may help increase revenue from profits tax. The Government will also introduce a reform of the rating system for domestic properties starting from 2023/24.

Taking into account the above new revenue streams, the Government expects to achieve fiscal balance from 2023/24 to 2026/27.



Total government revenue: HK\$715.9 billion

Source: 2022/23 Budget Highlights, HKSAR Government

[Note: The above revenue items have not included the estimated proceeds from issuance of green bonds amounting to HK\$35.1 billion in 2022/23.]

B. Key Relief Measures Proposed

B1. Measures for Enterprises

- Reduce profits tax for 2021/22 by 100%, subject to a HK\$10,000 ceiling for each business.
- Provide rates concession for non-domestic properties for 2022/23, subject to a ceiling of HK\$5,000 per quarter in the first two quarters and a ceiling of HK\$2,000 per quarter in the remaining two quarters.
- Waive business registration fees for 2022/23.
- Continue to waive 75% of water and sewage charges payable by non-domestic households for eight months (i.e. until November 2022), subject to a monthly cap of HK\$20,000 and HK\$12,500 respectively per household.
- Extend the waivers/concessions of the existing 34 groups of government fees and charges for 12 months starting from October 2022. This measure will benefit a wide range of sectors (such as aviation, maritime, logistics, retail, catering, agriculture and fisheries, construction, tourism and entertainment).
- Continue to grant the 75% rental or fee concession to eligible tenants of government properties and eligible short-term tenancies and waivers for 6 months (tenants who have to close their properties at the request of the Government can receive 100% waiver).
- Extend the application period of all guarantee products under the SME Financing Guarantee Scheme (SFGS) for one year to the end of June 2023. The Special 100% Loan Guarantee under the SFGS will also be further enhanced by increasing the maximum loan amount per enterprise from the total amount of employee wages and rents for 18 months to that for 27 months with the loan ceiling raised from HK\$6 million to HK\$9 million, and by extending the maximum repayment period from eight years to 10 years.
- Request the HKMA to extend the Pre-approved Principal Payment Holiday Scheme through the Banking Sector SME Lending Coordination Mechanism for six months to the end of October 2022.
- Launch the Export Credit Guarantee Programme on a pilot basis in March 2022, under which the Hong Kong Export Credit Insurance Corporation will guarantee up to 70% of the export financing of their policyholders, subject to a maximum limit of HK\$50 million.

B2. Measures for Individuals

- Issue HK\$10,000 electronic consumption vouchers by instalments to each eligible Hong Kong permanent resident and new arrival aged 18 or above. The first HK\$5,000 will be distributed in April 2022 to those who have registered in the previous round of the scheme (Note: Citizens who register AlipayHK, WeChat Pay HK and Tap & Go will receive a lump sum of HK\$5,000; those who use Octopus will receive HK\$4,000 first, and after spending all the amount within a specific period, they will receive the remaining HK\$1,000) and the rest in mid-year by instalments and to new applicants.
- Provide a tax deduction for domestic rental expenses starting from 2022/23, subject to a deduction ceiling of HK\$100,000 for a year of assessment.
 - Payers of salaries tax and tax under personal assessment are eligible. Leases entered into by cohabiting spouses can also be used for tax deduction purposes. Please note that taxpayers who are domestic property owners or tenants of domestic properties owned by associated persons or who are provided with accommodation by their employers are not eligible.
 - An eligible rental property should be the taxpayer's primary residence and a private property in Hong Kong, with the lease agreement stamped. Non-domestic premises and domestic properties rented under lease-purchase agreements are ineligible.
 - If there is more than one tenant under a tenancy agreement, the deduction ceiling will be lowered proportionally according to the number of people under the joint tenancy.
 - If the lease term is less than 12 months, the deduction ceiling will be lowered in proportion to the length of the lease term in the year of assessment.



B. Key Relief Measures Proposed (Continued)

- Extend the 100% Personal Loan Guarantee Scheme for one year until the end of April 2023. The scheme is guaranteed by the Government. The maximum loan amount per applicant will increase from six times to nine times of his/her average monthly income during employment, and the ceiling will increase from HK\$80,000 to HK\$100,000. In addition, the maximum repayment period under the scheme will be extended from 6 years to 10 years, whereas the maximum duration of principal moratorium will be extended from 12 months to 18 months.
- Reduce salaries tax and tax under personal assessment for 2021/22 by 100%, subject to a ceiling of HK\$10,000 per case.
 - For salaries tax, the ceiling is applied to each individual taxpayer; but for married couples jointly assessed, the ceiling is applied to each married couple (i.e. capped at HK\$10,000 in total).
 - For personal assessment, the ceiling is applied to each single taxpayer or married person who elects for personal assessment separately from his/her spouse. If a taxpayer elects for personal assessment jointly with his/her spouse, the tax reduction is capped at HK\$10,000 for the married couple.
 - The proposed tax reduction is not applicable to property tax. Individuals with rental income, if eligible for personal assessment, may be able to enjoy such reduction under personal assessment.
- Waive rates for domestic properties for four quarters of 2022/23, subject to a HK\$1,500 ceiling per quarter in the first two quarters and a HK\$1,000 ceiling per quarter in the remaining two quarters for each rateable property.
- Provide a subsidy of HK\$1,000 to each eligible residential electricity account.
- Provide extra one half of a month allowance of standard CSSA payment, Old Age Allowance, Old Age Living Allowance or Disability Allowance. Similar arrangements will apply to recipients of the Working Family Allowance.
- Pay examination fees for candidates sitting for the 2023 HKDSE Examination.
- Lower the threshold for the Public Transport Fare Subsidy Scheme from HK\$400 to HK\$200 from May to October 2022. The Government will provide commuters with a subsidy amounting to one-third of their actual monthly public transport expenses in excess of HK\$200, subject to a maximum of HK\$500 per month.
- The Quality Education Fund has set aside HK\$2 billion to launch a three-year programme starting from this school year, under which subsidies will be provided to schools to purchase mobile computer devices and portable Wi-Fi devices for loan to needy students.

B3. Stamp Duty Rates

Stamp duty rates have not been adjusted.

B4. Tax Concessions

In the 2018/19 budget, the Government increased various allowances and raised deduction ceilings; widened and increased the number of the tax bands; and adjusted marginal tax rate for salaries tax. There is no new adjustment to salaries tax except for the said deduction for domestic rental expenses.



C. Salaries Tax Marginal Bands for the Year 2022/23 (No Adjustment)

2021/22 and 2022/23	
Tax Band Net chargeable income (HK\$)	Marginal Tax Rate (%)
First \$50,000	2
Next \$50,000	6
Next \$50,000	10
Next \$50,000	14
Remainder	17
	Standard Rate (%)
	15

Note: Salaries Tax payable is calculated at progressive rates on a taxpayer's net chargeable income or at standard rate on his/her net income (before deduction of the allowances), whichever is lower.

D. Personal Allowances and Deductions for the Year 2022/23

2021/22 and 2022/23		HK\$
Personal allowances:		
Single		132,000
Married		264,000
Other allowances:		
Child (1 st to 9 th child):		
Year of birth		240,000
Other years		120,000
Dependent parent/grandparent:		
a. Aged 55 to 59		
Basic		25,000
Additional		25,000
b. Aged 60 or above		
Basic		50,000
Additional		50,000
Single parent		
		132,000
Disabled (new allowance)		
		75,000
Disabled dependent		
		75,000
Dependent brother/sister		
		37,500
Additional deductions:		
Self-education expenses		100,000
Home loan interest (Number of years of deduction)		100,000 (20 years of assessment)
Elderly residential care expenses		100,000
Contributions to recognised retirement schemes		18,000
Approved charitable donations	35% of income after allowable expenses and depreciation allowances	
Voluntary health insurance		8,000
Annuity premiums and MPF voluntary contributions		60,000
Domestic rental expenses (form 2022/23)		100,000



E. Other Key Measures

Related to individual / property

- Instruct the HKMC Insurance Limited to make amendments to the Mortgage Insurance Programme. For home buyers and families, the cap on the value of a property eligible for a mortgage loan of a maximum cover of 80% loan-to-value (LTV) ratio will be raised from HK\$10 million to HK\$12 million. For first-time home buyers, the cap on the value of a property eligible for a mortgage loan of a maximum cover of 90% LTV ratio will be raised from the existing HK\$8 million to HK\$10 million.
- Raise the subsidy ceiling of the Continuing Education Fund (CEF) from HK\$20,000 to HK\$25,000 per applicant and remove the upper age limit.
- Proposed amendments to the Rating System
 - For future rates concession for domestic properties, only those eligible owners who are natural persons can apply for rates concession for one domestic property under their name.
 - Introduce a progressive rating system for domestic properties: For domestic properties with rateable value of HK\$550,000 or below, it is proposed that rates be charged at the present level of 5% of the rateable value. For domestic properties with rateable value over HK\$550,000, it is proposed that rates be charged at 5% of the rateable value on the first HK\$550,000 and at 8% of the rateable value on the next HK\$250,000, and then at 12% on rateable value exceeding HK\$800,000. This can better reflect the “affordable users pay” principle.
 - The proposal regarding rates concession for domestic properties will be rolled out in the first phase in 2023/24, whereas the proposed progressive rating system for domestic properties will be introduced in the second phase in 2024/25.
- Propose to provide tax concessions for the eligible family investment management entities managed by single-family offices. It is expected that the relevant tax concessions will come into effect in 2022/23.
- In order to meet the needs of some large-scale technology enterprises engaged in advanced technology to raise funds, and to study and revise the listing conditions, the SFC and the Hong Kong Stock Exchange are reviewing the listing rules of the Main Board Listing Rules.
- Work on the development of an electronic bond trading platform to facilitate secondary transactions and expand investor base.
- Enhance the prospectus requirements of the bond market and make it easier for retail investors to participate.
- Explore ways to further expand the channels for the two-way flow of cross-boundary RMB funds, including introducing more diversified RMB wealth management products and bonds.
- Plan to issue no less than HK\$15 billion of inflation-linked retail bonds (iBond), and no less than HK\$35 billion of Silver Bond in the next financial year.
- Issue green bonds in 2022 totalling about US\$4.5 billion or equivalent.
- Invite the HKMA to organise a high-level Global Financial Leaders’ Investment Summit.
- In order to nurture enterprises that are relatively more mature and have good potential for contribution to the economy, the funding allocated to the Hong Kong Growth Portfolio under the Future Fund will be further increased by HK\$10 billion, of which HK\$5 billion will be used to set up a new investment fund, namely the Strategic Tech Fund.
- Double the amount of subsidy to HK\$16 million. The increased subsidy will be provided to start-ups of universities with private investments on a matching basis of one to one. Each start-up may receive an annual subsidy of up to HK\$1.5 million for a maximum of three years.

Related to other economic and financial policies

- Expeditiously introduce new legislation to prohibit landlords from terminating the tenancy of or not providing services to tenants of specified sectors for failing to settle rents on schedule, or taking relevant legal actions against them. The relief will be valid for three months and, if necessary, be extended one more time for the same duration, with the legislation automatically lapsing after six months.

F. International Tax Co-operation

- In 2021, Hong Kong together with more than 130 jurisdictions across the globe, pledged to implement the international tax reform proposals drawn up by the OECD to address base erosion and profit shifting (abbreviated as BEPS 2.0). As the global minimum effective tax rate under BEPS 2.0 only targets large multinational enterprise (MNE) groups with global turnover of at least 750 million euros, it will not affect local SMEs.
- The Government plans to submit a legislative proposal to the LegCo in the second half of 2022 to implement the global minimum tax rate and other relevant requirements in accordance with the international consensus. At the same time, the Government will consider introducing a domestic minimum top-up tax with regard to the aforesaid MNEs starting from 2024/25 to ensure that their effective tax rates reach the global minimum effective tax rate of 15% so as to safeguard Hong Kong's taxing rights.

G. Comments

The new financial budget is made as Hong Kong is being hit by the fifth wave of the epidemic, so an array of relief measures are introduced aiming at stabilizing the economy and alleviating people's hardships. In addition to the measures coping with the impacts of the epidemic, the Financial Secretary has also proposed various plans relating to the technology, financial, construction sectors and others to meet the needs of Hong Kong's medium and long-term economic development. Effective control of the epidemic is the most critical factor affecting the short-term economy of Hong Kong. Looking forward, the post-epidemic economic momentum of Hong Kong will depend on its ability to integrate into the overall development of the Mainland China and to create further investment opportunities in response to the global dynamics.





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